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SUBJECT: UNDER SECRETARY JEFFERY'S MEETING WITH PAKISTAN'S FM QURESHI

Classified By: Anne W. Patterson, Reasons 1.4 (b), (d)

¶1. (C) Summary: Under Secretary for Economic, Energy, and Agricultural Affairs Reuben Jeffery visited Pakistan July 17-19. On July 19, U/S Jeffery and the Ambassador met with Minister of Foreign Affairs Shah Mehmood Qureshi, who was also named acting Minister of Petroleum following Pakistan Muslim League-Nawaz's (PML-N) May 12 withdrawal from the Cabinet. FM Qureshi and U/S Jeffery agreed on the need for a long-term, broad-based, mutually beneficial U.S.-Pakistan relationship. Qureshi said the GOP already has a solid economic framework in place that can attract investment, given the proper conditions. He noted that Pakistan needs assistance in meeting a potentially destabilizing wheat shortfall this year. He noted that the Ministry had received positive indications that agriculture would be included in the next meeting of the U.S.-Pakistan Economic Dialogue. He also expressed hope that the U.S.-Pakistan Energy Dialogue would be restarted soon.

¶2. (C) Summary Continued: U/S Jeffery noted USG concerns about increasing signs of stress in the Pakistani economy and noted that if the GOP does not clearly articulate economic policy soon, it may face a balance of payments crisis. The Under Secretary and the Ambassador stressed U.S. interest in reviving Bilateral Investment Treaty (BIT) negotiations and making an announcement to this effect during the Prime Minister's upcoming visit to Washington. The Foreign Minister promised to look into whether Pakistan might now approve the proposed U.S.-funded, USD 20.7 million U.S. Geological Survey and Naval Research Lab geophysical survey of Pakistan, which had previously been held up by military and intelligence organizations on national security grounds. Qureshi said cabinet vacancies will be filled soon, indicating an imminent announcement. End Summary.

¶3. (C) Noting troubling economic indicators, FM Qureshi stated the United States and Pakistan should develop a long-term, broad-based relationship beyond the security realm, including economic cooperation that will "impact the Pakistani population more broadly." He observed the United States has the technical capability for project assistance to contribute to broad-based economic development. Qureshi said the current government had inherited a troubled economy and stressed that Pakistan needs immediate economic assistance, including market access and access to credit, particularly in light of a trade gap that has increased from 1 percent of GDP in 2003 to 11.6 percent of GDP today. The United States, he said, has a vibrant private sector that already knows that significant returns can be made on Pakistani investments.

¶4. (C) Responding to U/S Jeffery's question whether the GOP will implement policies to improve the current economic situation, the Foreign Minister said the GOP must reduce subsidies significantly, and establish a social safety net. He stressed the private sector must be the agent of growth and assured the Under Secretary the GOP already has a solid economic framework in place that, if given the

proper conditions, will attract investment. The Foreign Minister noted the importance of opening trade with India.

¶5. (C) Regarding the agricultural sector, Qureshi observed that Pakistan is currently producing well below capacity. He noted Pakistan's wheat crop this year had been poor and that there is an urgent need to import wheat to avoid what could be a politically destabilizing shortfall by winter. He emphasized his interest in seeing agriculture become part of the U.S.-Pakistan Economic Dialogue, and noted that the Ministry had received indications this would happen.

¶6. (C) Regarding the energy sector, Qureshi noted the GOP hopes to increase hydroelectric power generation and mine thus far unexplored coal reserves in Sindh province. He said hydropower generation was viable in the short-term and coal mining viable in the medium-term. The Foreign Minister expressed hope that the U.S.-Pakistan Energy Dialogue would be restarted soon.

¶7. (C) U/S Jeffery noted the U.S. is supportive of a long-term and broad-based relationship with Pakistan, and he said the United States is particularly interested in cooperating with Pakistan in the areas of agriculture, energy, and trade and investment. However, he noted USG concerns about increasing signs of stress in the Pakistani economy.

¶8. (C) The Under Secretary and the Ambassador emphasized U.S. interest in reviving Bilateral Investment Treaty (BIT) negotiations and noted that an announcement to this effect during the Prime Minister's upcoming visit to Washington would be welcomed by private investors. Qureshi expressed interest in the Reconstruction

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Opportunity Zone legislation, the recently tabled Biden-Lugar legislation, the ongoing U.S.-Pakistan Strategic Dialogue, and restarting BIT negotiations.

¶9. (C) The Ambassador asked about a possible impending announcement regarding filling vacancies in the GOP cabinet. Qureshi indicated the government had been struggling with a dilemma: fill the positions too soon and risk harming what is an already fragile coalition, or wait to fill the positions and risk upsetting world financial markets because of perceived inaction of the government. He said the decision had been made to fill these vacancies sooner rather than later (indicating an imminent announcement); to wait longer, he observed, would be counterproductive. The Foreign Minister noted that he would be traveling with the Prime Minister to Washington later this month and said that he would be meeting with economic stakeholders June 21 to discuss what initiatives the GOP might propose during the upcoming visit.

¶10. (C) Responding to the Ambassador's question about the prospect of GOP approval of the U.S.-funded USD 20.7 million U.S. Geological Survey and Naval Research Lab geophysical survey of Pakistan, the Foreign Minister promised that he would look into the issue. The survey is a multi-year, bilateral effort to collect scientific information for the purpose of natural resource identification, hydrology, and civil infrastructure planning. It has been on hold since 2006 because of military and intelligence organizations objections on national security grounds, despite U.S. offers to allow full military participation.

¶11. (U) Under Secretary Jeffery cleared this cable.

PATTERSON